

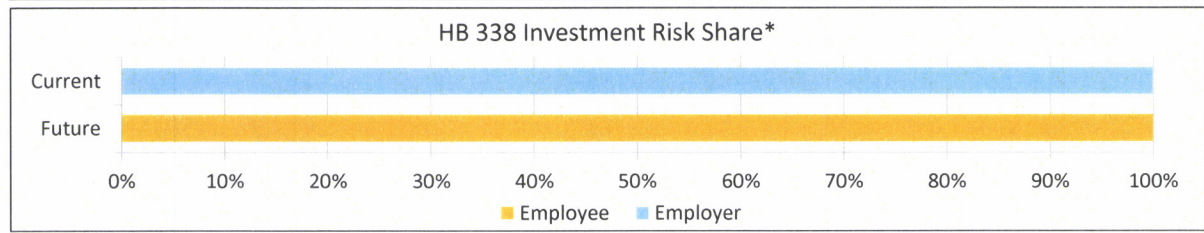
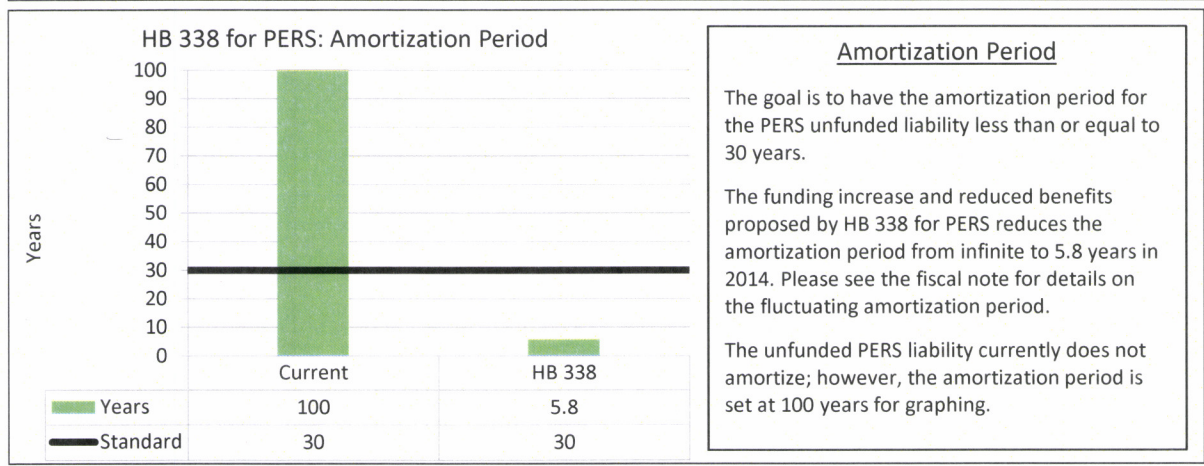
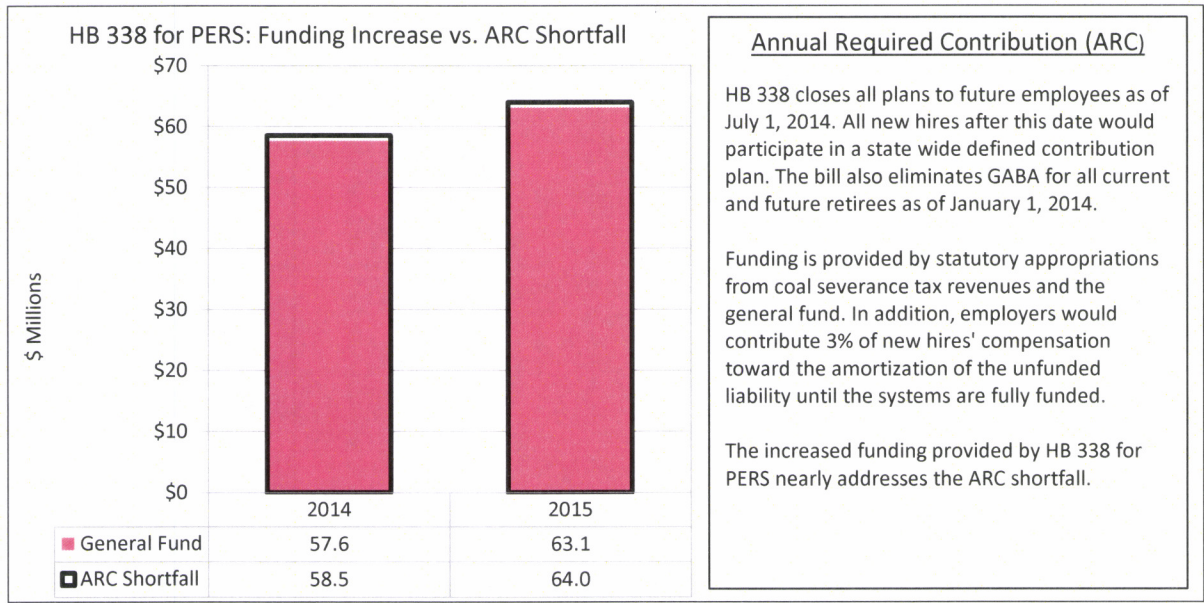


Montana Legislative Fiscal Division

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HB 338: Provide Funding for Pension Debts; All New Hires to DC Plan

Primary Sponsor: Keith Regier

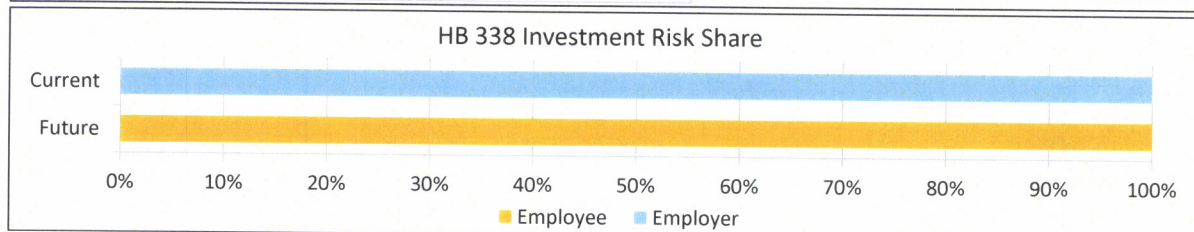
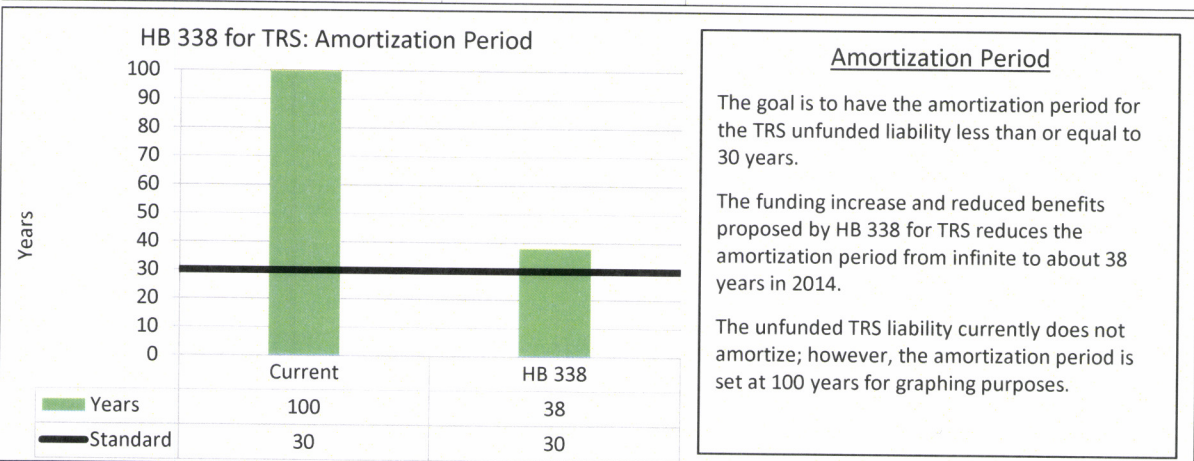
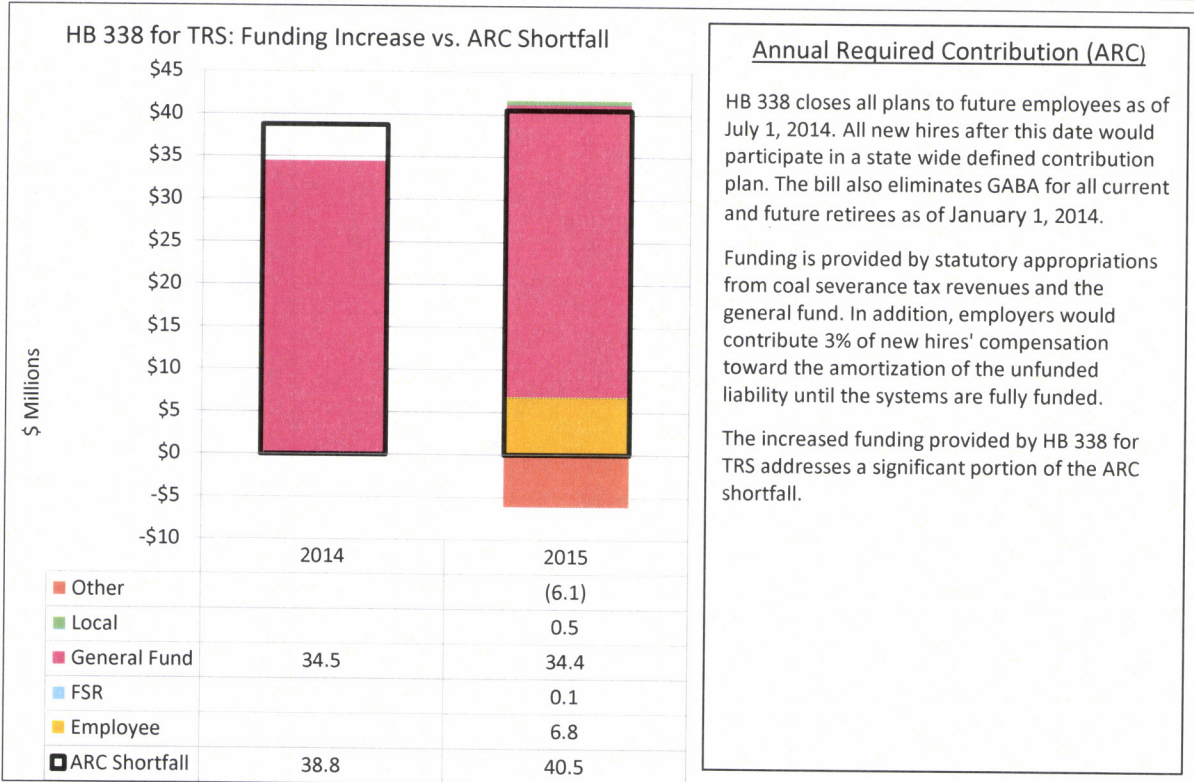


Other comments:

The fiscal note and corresponding actuarial analysis of this bill used the OBPP revenue estimate for coal severance tax. The official legislative revenue estimate contained in SJ 2 has a lower projection of coal severance tax revenue by about \$2 million per year. This fact should be considered by the committee when comparing the various funding options.

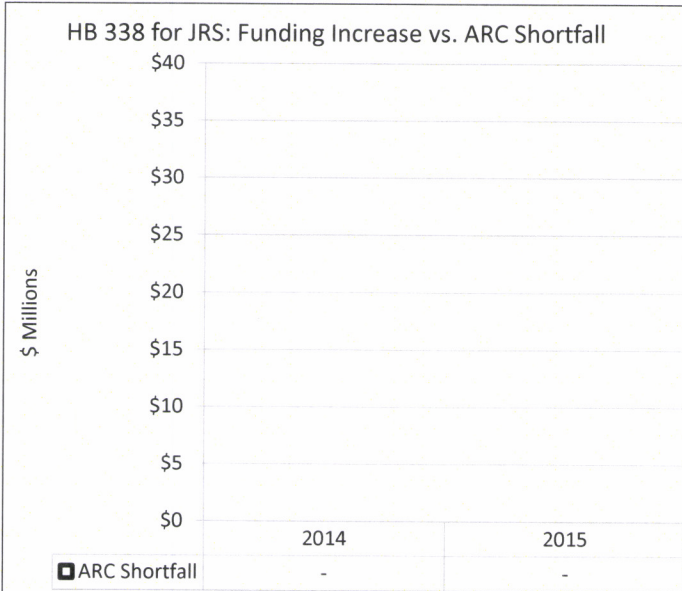
\* According to MCA 19-3-315 (b), the contributions of some employees may be increased to maintain the amortization schedule of the system. To the extent that this is actually done, investment risk is then currently shared with those active employees.

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Other comments:

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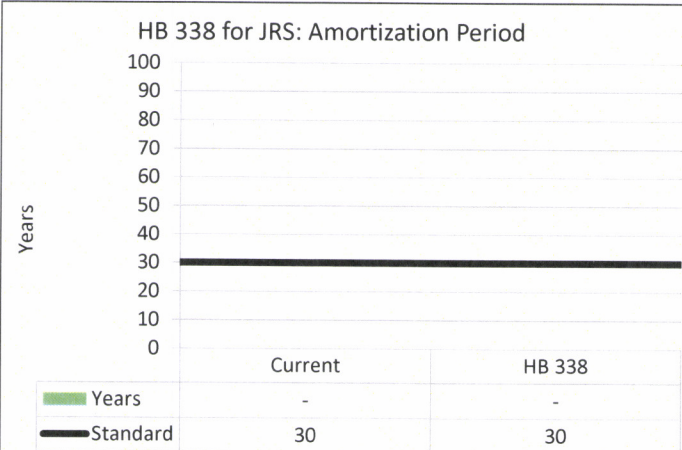


Annual Required Contribution (ARC)

HB 338 closes all plans to future employees as of July 1, 2014. All new hires after this date would participate in a state wide defined contribution plan. The bill also eliminates GABA for all current and future retirees as of January 1, 2014.

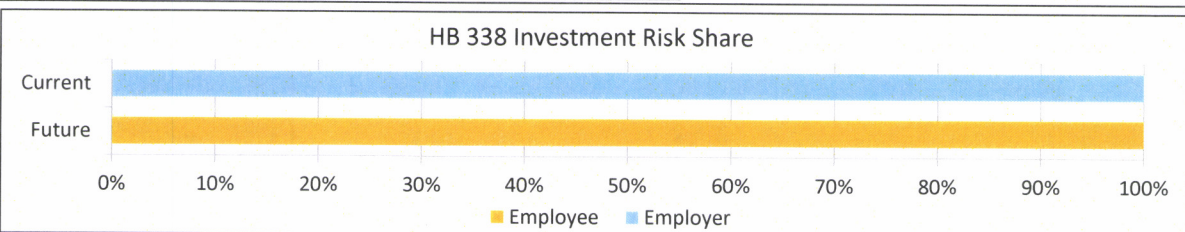
Funding is provided by statutory appropriations from coal severance tax revenues and the general fund. In addition, employers would contribute 3% of new hires' compensation toward the amortization of the unfunded liability until the systems are fully funded.

There is no increase in funding provided by HB 338 for JRS as there is no ARC shortfall in the system; in fact, the system is currently overfunded.



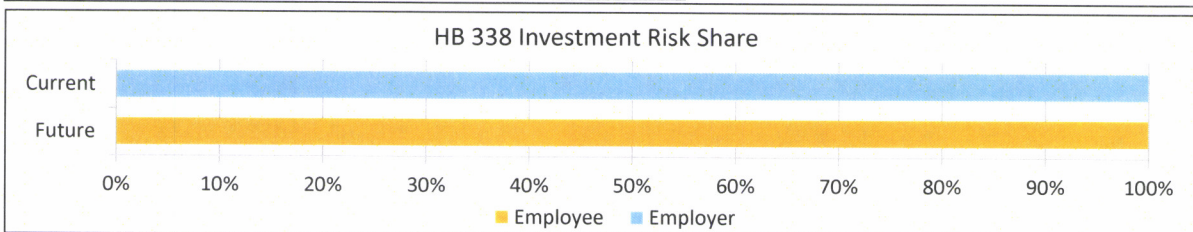
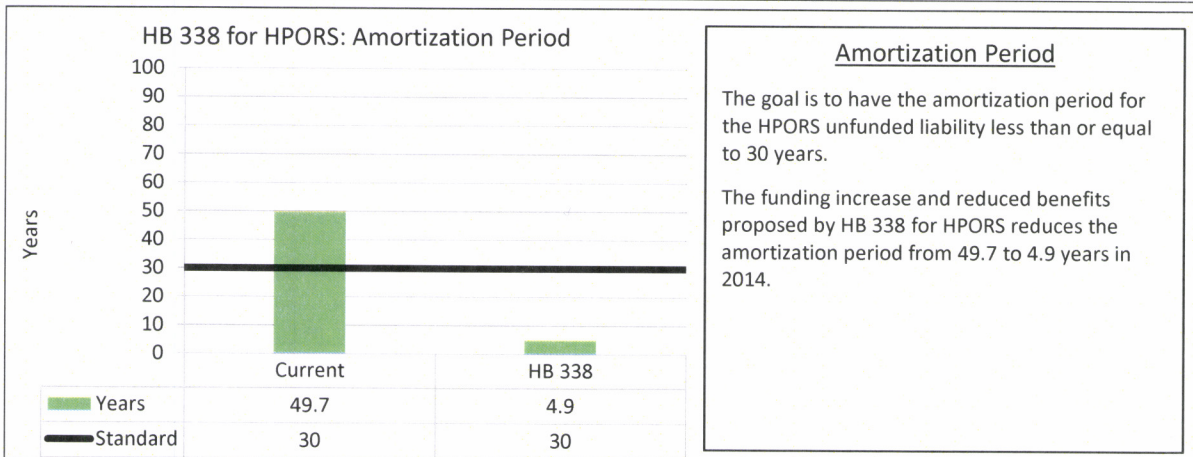
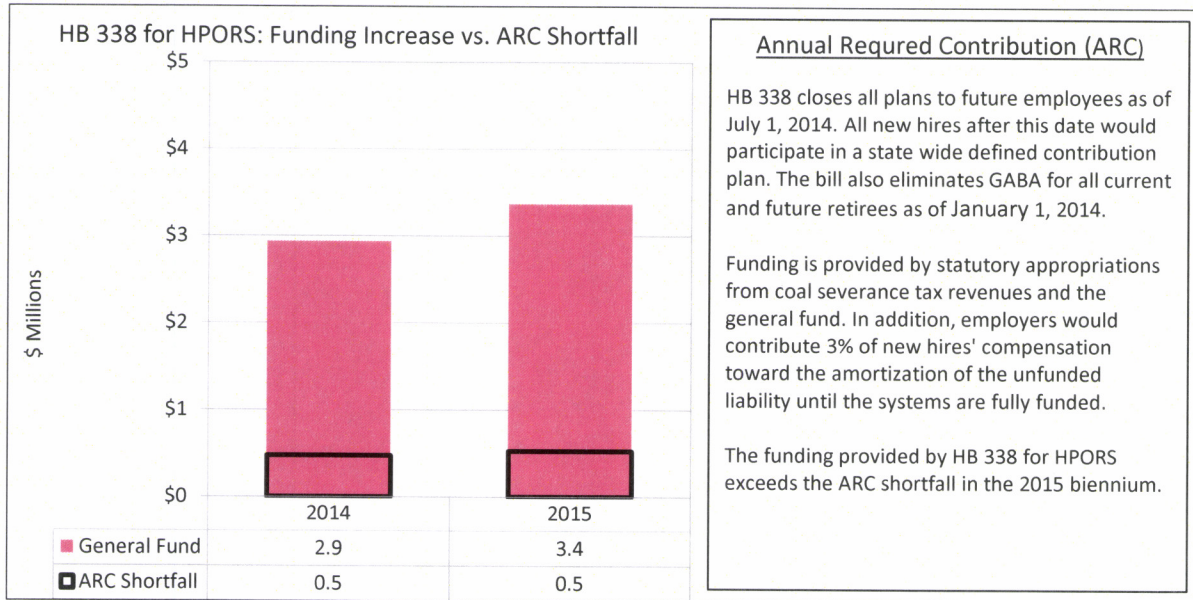
Amortization Period

The goal is to have the amortization period for the JRS unfunded liability less than or equal to 30 years. JRS currently has no unfunded liability.



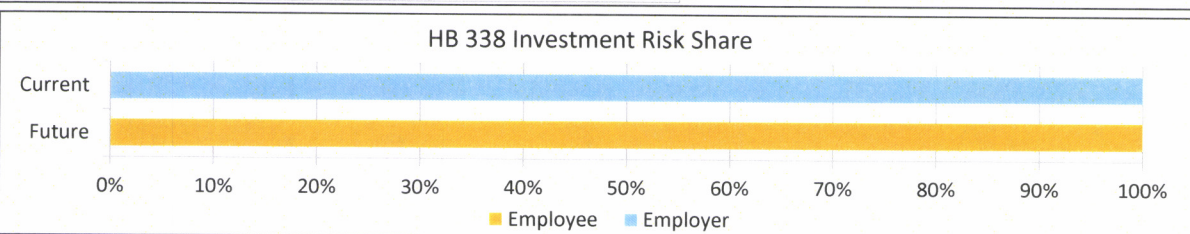
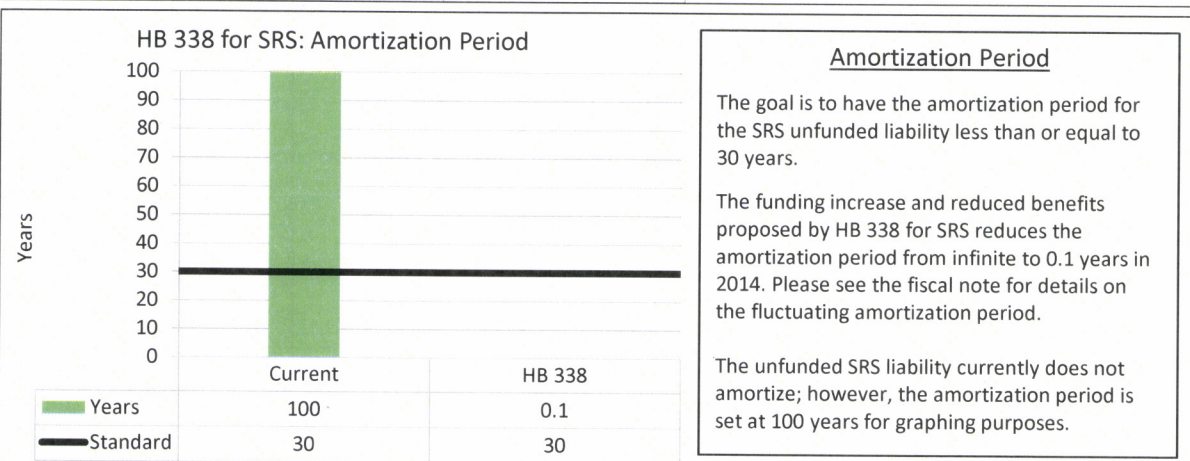
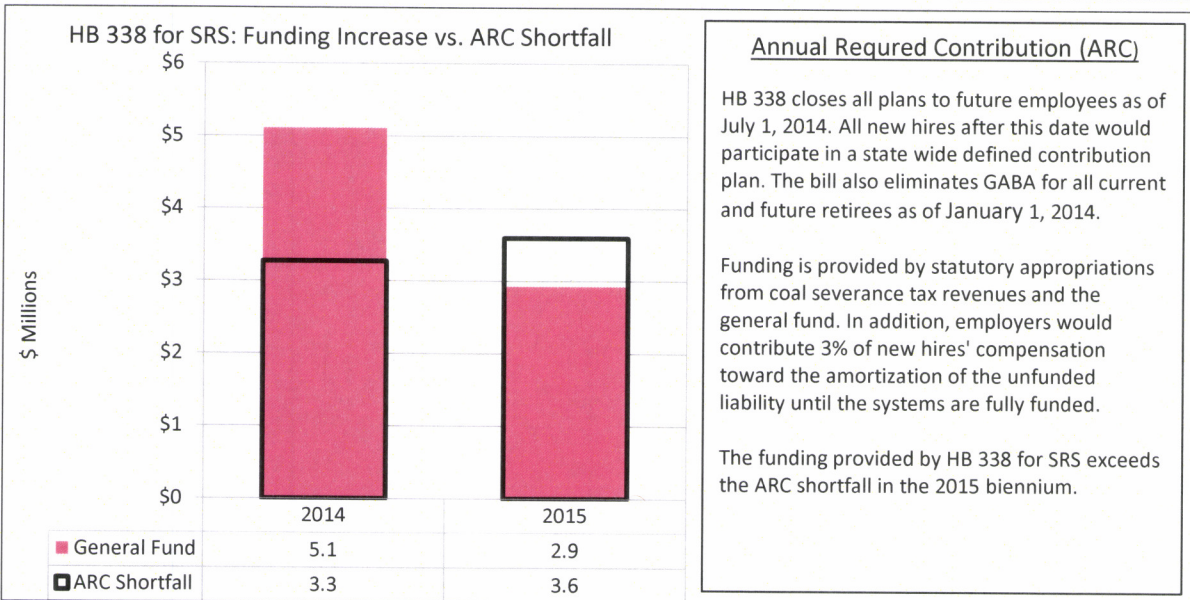
Other comments:

The fiscal note and corresponding actuarial analysis of this bill used the OBPP revenue estimate for coal severance tax. The official legislative revenue estimate contained in SJ 2 has a lower projection of coal severance tax revenue by about \$2 million per year. This fact should be considered by the committee when comparing the various funding options.



Other comments:

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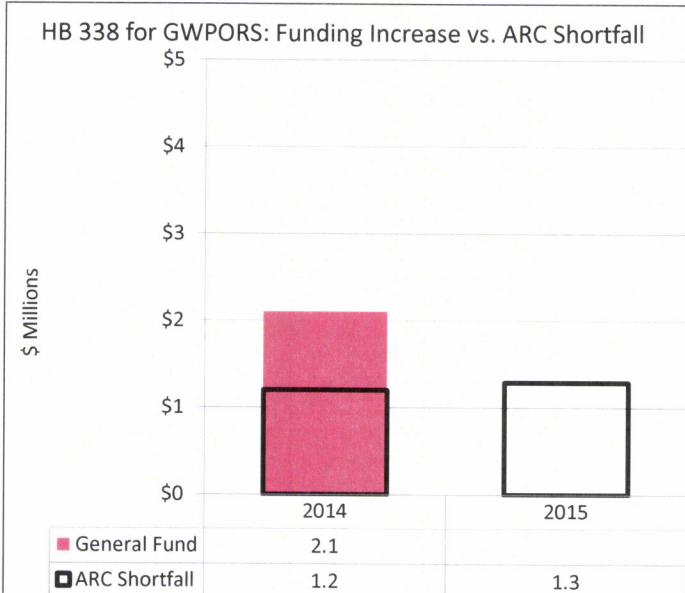


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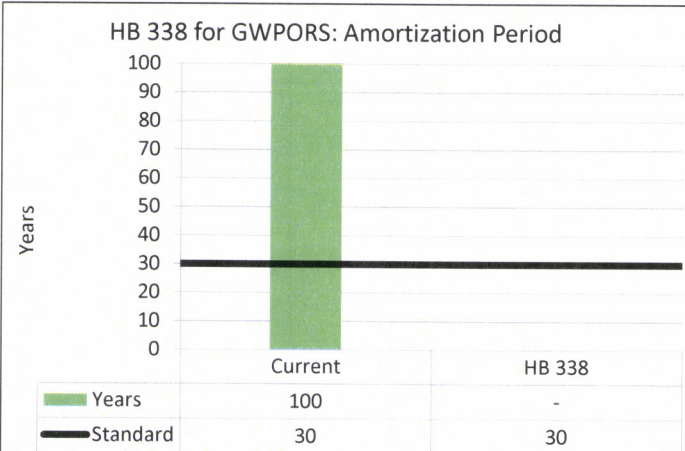


#### Annual Required Contribution (ARC)

HB 338 closes all plans to future employees as of July 1, 2014. All new hires after this date would participate in a state wide defined contribution plan. The bill also eliminates GABA for all current and future retirees as of January 1, 2014.

Funding is provided by statutory appropriations from coal severance tax revenues and the general fund. In addition, employers would contribute 3% of new hires' compensation toward the amortization of the unfunded liability until the systems are fully funded.

The funding provided by HB 338 for GWPORS exceeds the ARC shortfall in 2014 and is then discontinued due to its fully funded status.

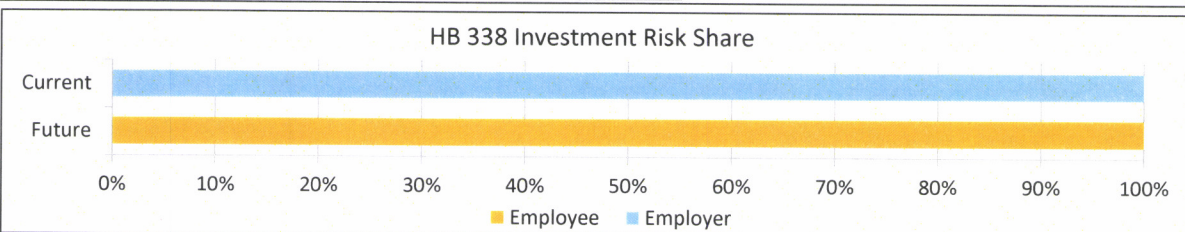


#### Amortization Period

The goal is to have the amortization period for the GWPORS unfunded liability less than or equal to 30 years.

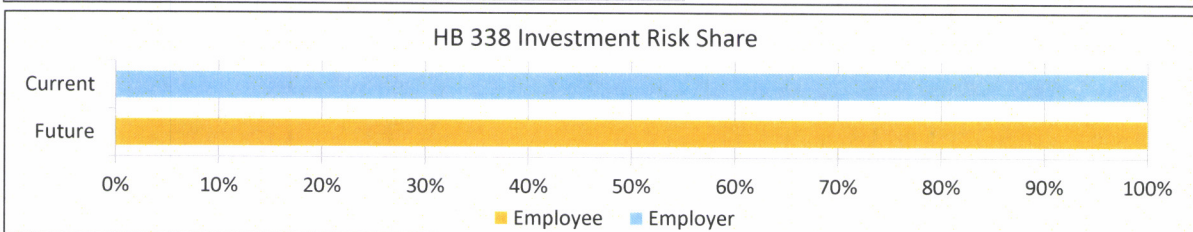
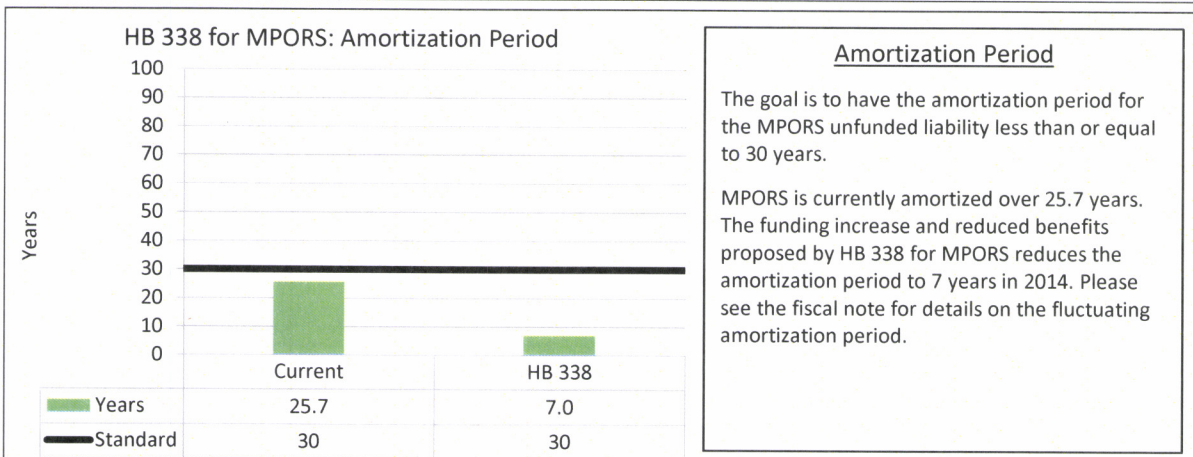
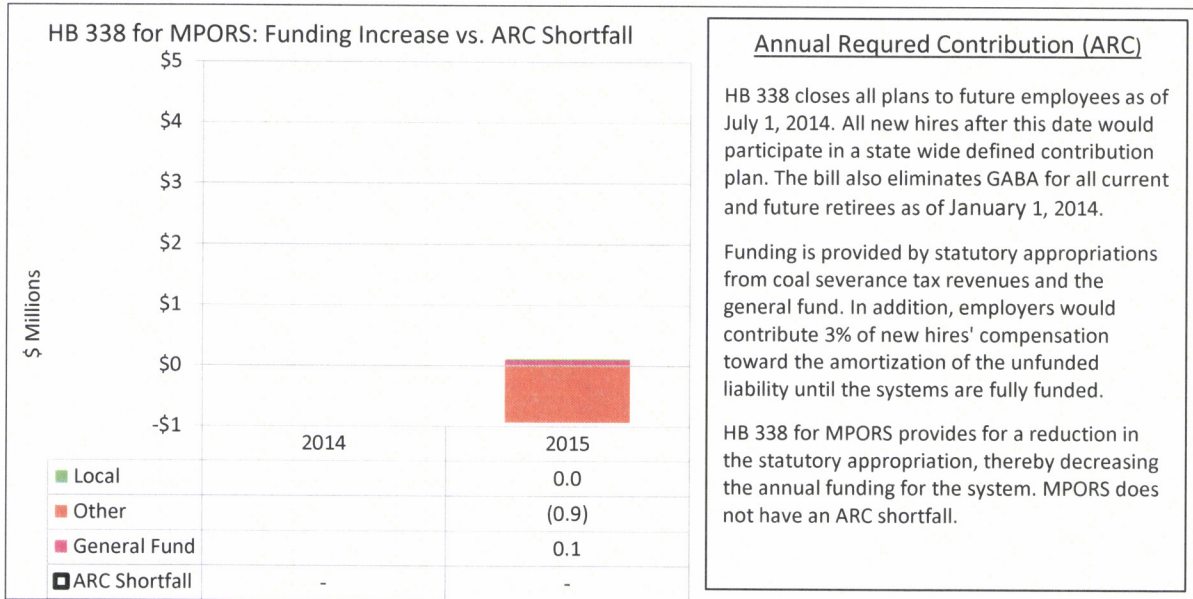
The funding increase and reduced benefits proposed by HB 338 for GWPORS reduces the amortization period from infinite to 0 years in 2014. Please see the fiscal note for details on the fluctuating amortization period.

The unfunded GWPORS liability currently does not amortize; however, the amortization period is set at 100 years for graphing purposes.



#### Other comments:

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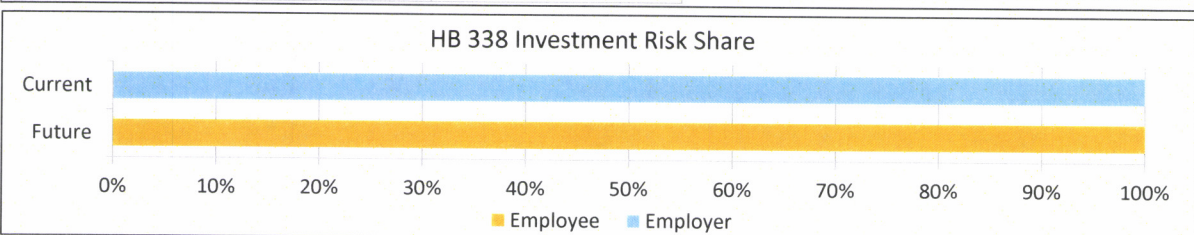
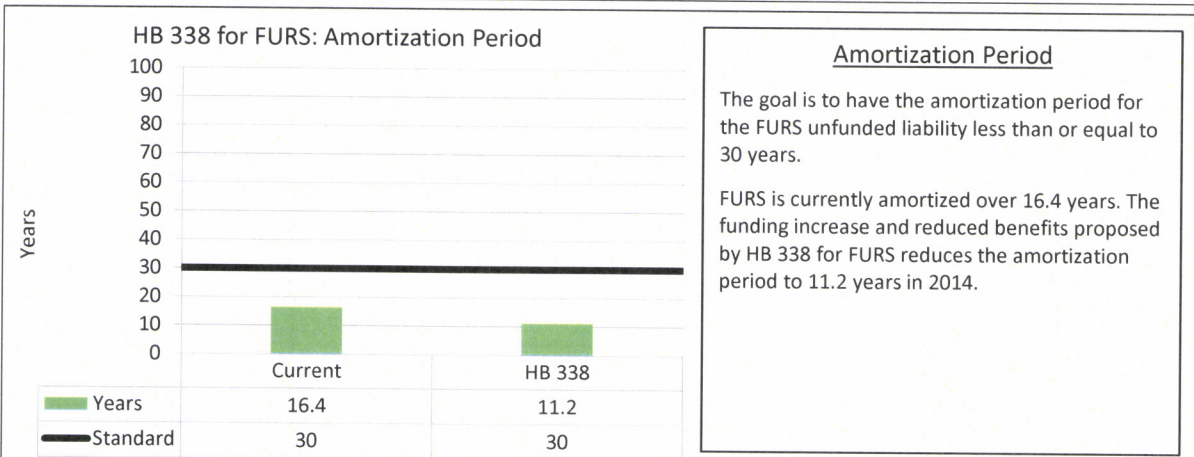
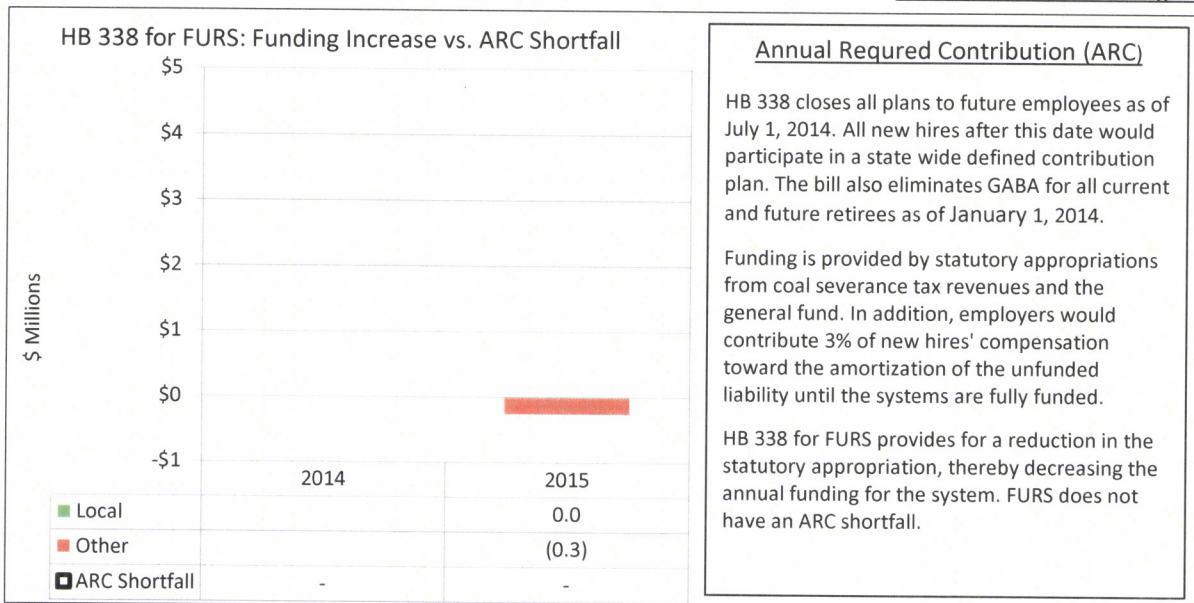


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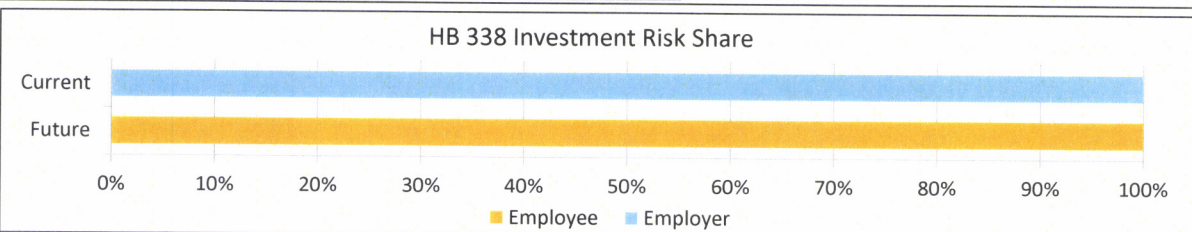
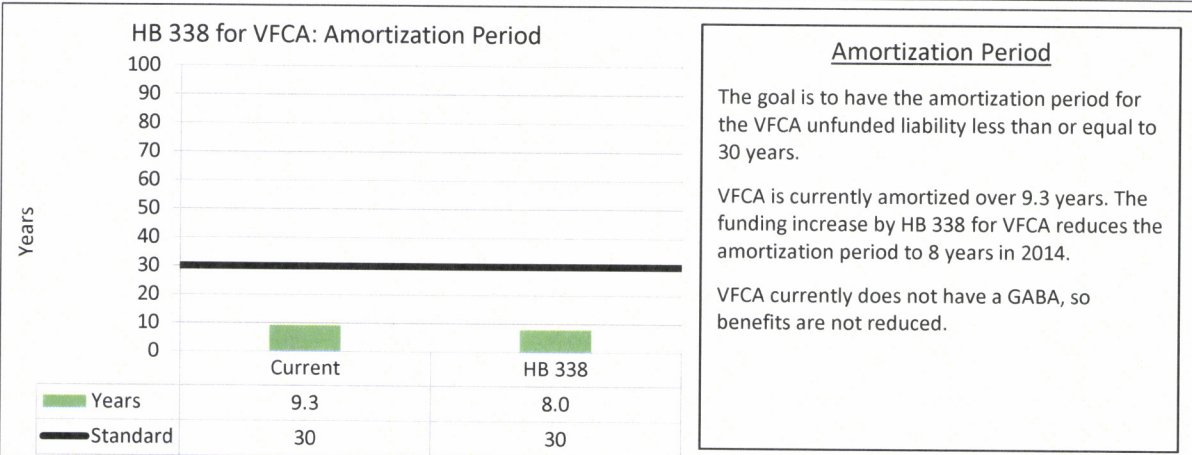
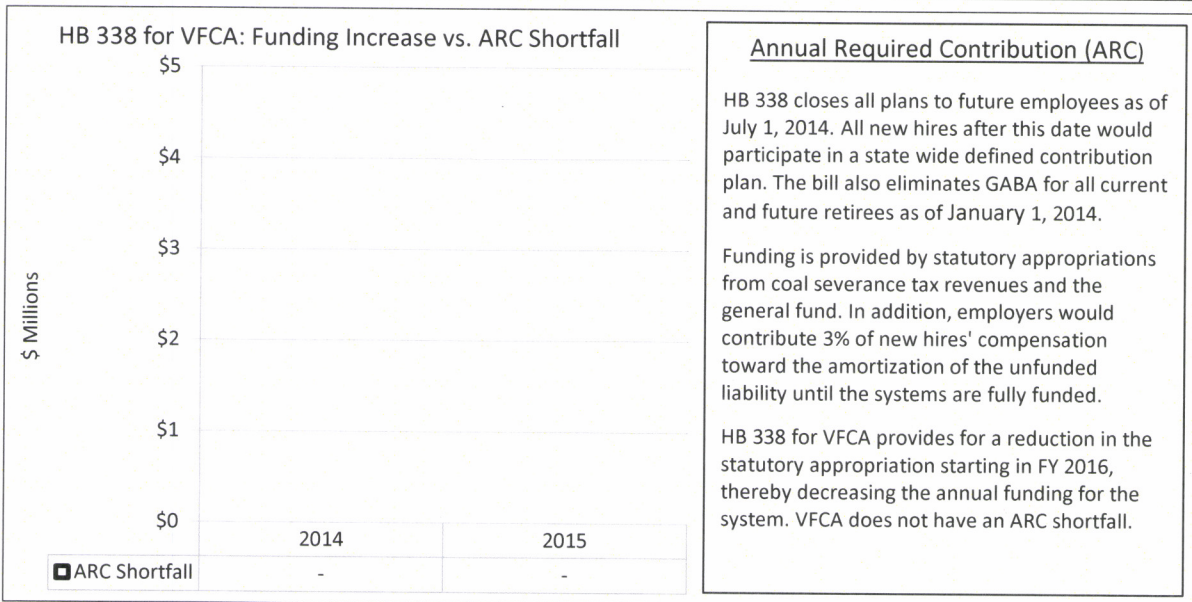


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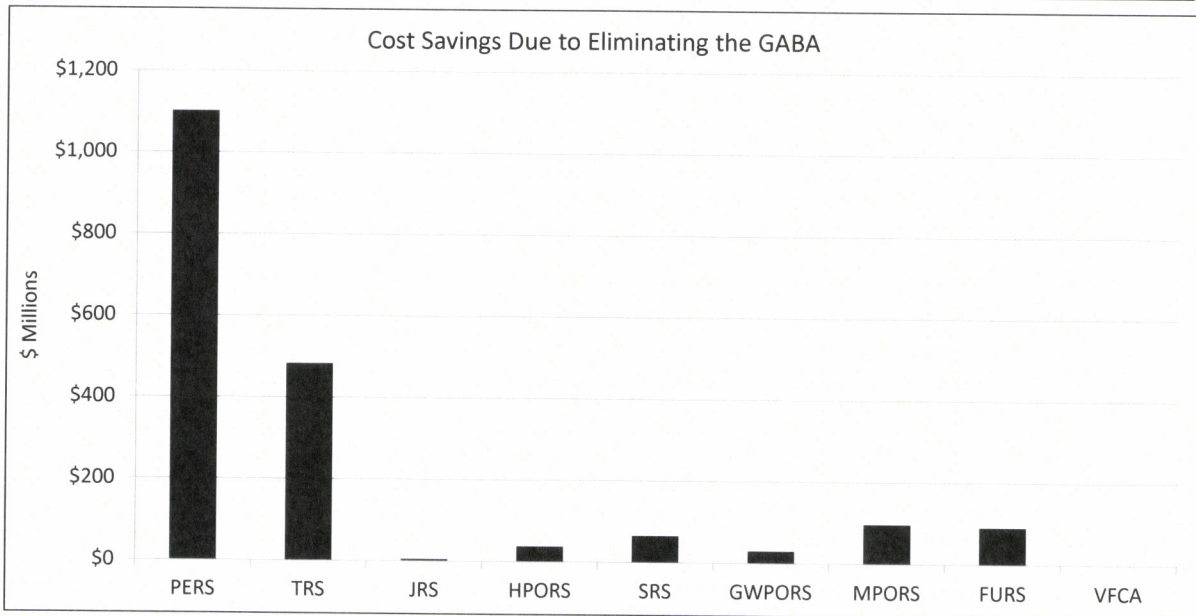
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Total cost savings or reduction in liability due to eliminating the GABA is \$1,904 million.

